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Follow-up to the World Summit for Social Development and the twenty-fourth special session of the General Assembly: priority theme: Addressing inequalities and challenges to social inclusion through fiscal, wage and social protection policies

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The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 36 and 37 of Economic and Social Council resolution 1996/31.

* The present statement is issued without formal editing.

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Statement

Income inequality between working class age and pensioners in Iraq endangering future development:

Pension is an important social protection and a component of socioeconomic development that is founded on principles of human rights and the inherent right of humans to live a decent and dignified life that is free from deprivation, marginalization and exclusion.

Social protection programs including pension are designed to cope with the risks that endanger the lives and well-being of individuals within the society. This can be achieved through a competent social security system, contribution by working class people and savings, as well as solidarity funding programs, by the states.

Social protection includes a wide range of programs and tools that are interconnected by the public and private sectors. They provide cash transfers and sources of income for poor and vulnerable groups in society. Historically, social protection programs and policies were linked to a set of procedures that were adopted by the developed countries in order to protect individuals from falling into the clutches of poverty and deprivation. These procedures typically included: labor laws, worker protection programs and pension systems.

For almost a century, the Iraqi state has been providing social security to people in less-privilege categories, It also issued a number of laws aimed at protecting those who were considered as venerable citizens. From the beginning, social security and pensions were designed to look after those who were working in its organisations and institutions. However, the government of Iraq later became keen on the horizontal and vertical expansion of the system, expanding the categories of those covered by social protection, and including a greater number of risks to be covered by protection and social security systems to not only the government employees, but to other people too.

Since 2003, further attempts were made by the federal government in Baghdad and regional government of Kurdistan to expand the scope of social protection programs for its citizens. The pension system has been at the heart of these changes. Nevertheless, low income after retirement has recently been raised as a serious concern and the current pension program has left a majority of pensioners below poverty line.

Current Pension System

Iraq has a long history of welfare system, with the very first pension law in Iraq introduced in 1922 (Iraqi Legal Database). With many adjustment and revisions throughout many years, this law was in effect until the more elaborate Civil Service Retirement Act No. 12 was issued in 1930. Furthermore In 1940, another civil service retirement act, No. 43 come into effect, which this law included 53 Articles that were divided among 6 sections. However, the 1940 act was succeeded by the following 3 laws:

Law of Civil Pension No. 33 of 1966

The Unified Pension Law No.27/2006, covering state employees

The Unified Pensions Law No.9/2014, covering state employees

Impact and ineffective of the current pension and social security program:

The current provisions of the retirement law in Iraq apply to all state and public sector employees, temporary staff, some of this law is not applicable in the Kurdistan region of Iraq, those in charge of public service, and state employees in the mixed sector recruited before 9 April 2003 who have retired or are retiring due to illness or disability, old age or death.

The most positive gains implied by law are to double the minimum excluding Kurdistan region (Article 21/IV). The law also provided new gains for working mothers. Which is another good aspect of the law; it addressed multiple types of retirement in a single law.

Another law is currently in the works. Despite the fact that laws and regulations relating to social protection gave citizens additional rights and privileges and increased the number of beneficiaries eligible for social protection, the application of the programs was not nearly as perfect as it looked on paper. This was especially true for those working outside the state institutions. In reality, the national retirement system covered only 15% of the public sector workforce (World Bank, Pensions in Iraq: Issues, General Guidelines for Reform and Potential Fiscal Implications).

The impact of the latest reform is that it established an independent entity to manage the national retirement fund. This entity will be responsible for managing deposits of financial assets according to actuarial bases. According to the World Bank, the Iraqi pension systems faces problems related to efficiency, equity and sustainability of funding. The implicit rates of return on contributions that are above sustainable levels and compromise the long-term viability of the system and weak governance structures and administrative capacity have put many venerable people at high risk of poverty and their safety net no longer granted.

As outlined above, the Iraqi state has been very proactive in providing income security for people after their retirement. Since 2003, many laws have been introduced. However, several obstacles have impeded social security program in particular in relation to protections for senior citizens. The most serious challenges are that the network became vulnerable to the unjust and careless application of the beneficiary selection on political association criteria, which has led to the exclusion of many poor people.

In addition to above barriers, bureaucratic procedures, the lack of a clear information base, the lack of social researchers, and to some extend corruption and political intervention into the pension system have put the very venerable people into below poverty line.

Recommendation to mitigate the risk

Iraq is one of the wealthiest countries in the region when come to natural resources, and according to current demographic statistics, Iraq has the youngest population in the region. These factors should help Iraq to recover from any pension fund shortages, however, without following actions, senior citizens will not able to live their remaining life with the dignity they deserve, and they will be victims of an unjust system:

The UN should adopt a resolution that makes the Federal and regional government of Iraq to make pensioners right as priority and end the inequality of income.

Narrowing the gap of pension income between special privileges to members of political based figures and ordinary civil servant pensioners

Promoting and encouraging the public to save and the government to invest in health insurance for senior citizens.

Any future development fund release from the international community to Iraq should be conditional to improve income inequality.

Less politicization of pension and social security program by Iraq political entities.

Reconciling pension law between the central and regional authority, to end inequality of pension right and illegibility in the country.